

# *Outlook for the U.S. and Kentucky Economies*

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## ***What are the Positives?***



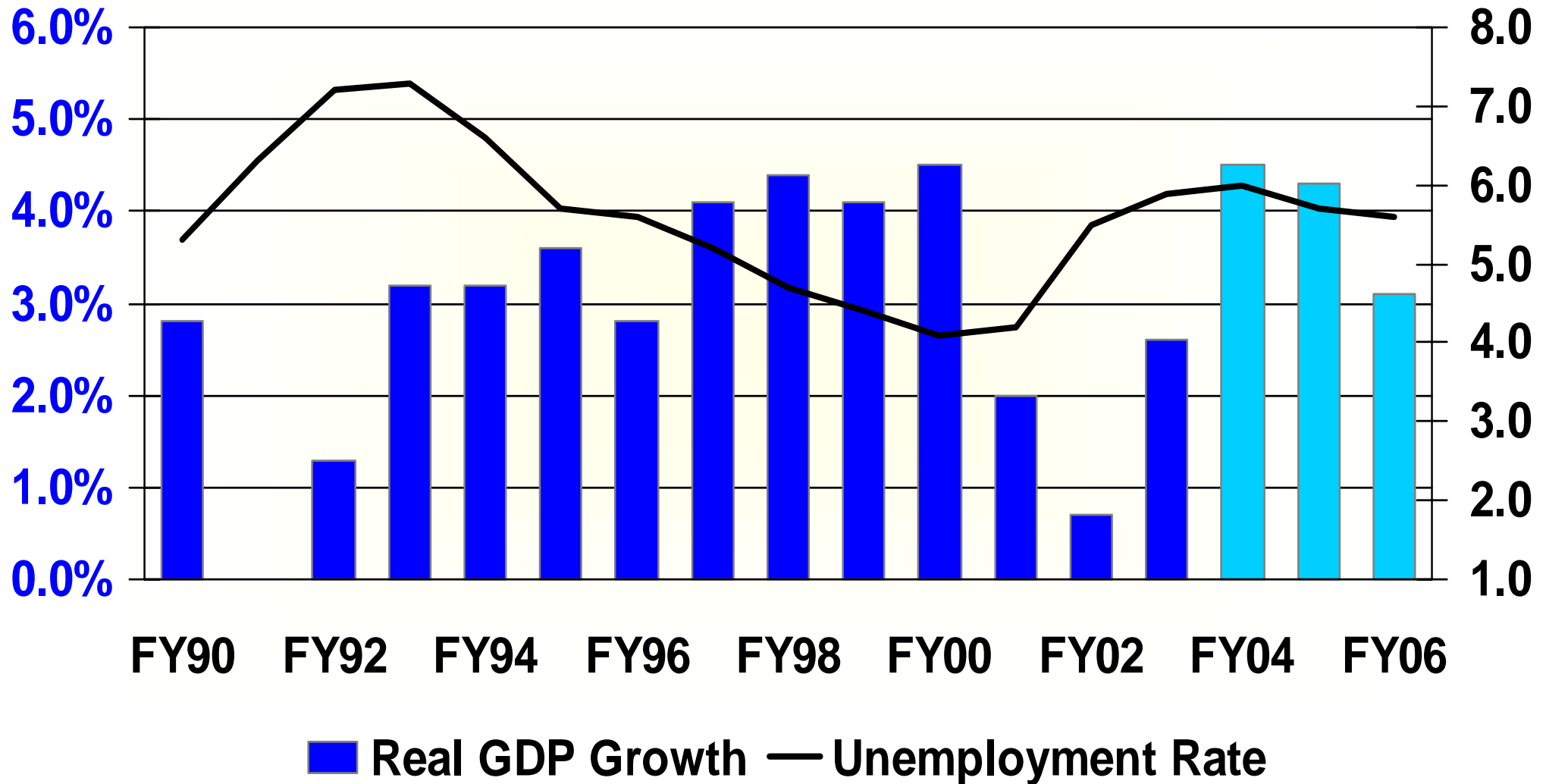
- ❑ Employment inching up
- ❑ Retail sales increasing
- ❑ ISM manufacturing index at 62.4 in April
- ❑ Business investments are up
- ❑ Corporate profits on the mend, should spur investment
- ❑ Consumer confidence is increasing

## ***And the Negatives...***



- ❑ Unemployment still high (5.5% for KY, 5.7% for U.S.)
- ❑ Kentucky lost 45,500 jobs since October 2000
- ❑ Manufacturing employment is at November 1991 level
- ❑ Crude oil at over \$40 per barrel
- ❑ Likely increase in the federal funds rate

## *After the recession output expands*



# ***Selected U.S. and Kentucky Economic Indicators***

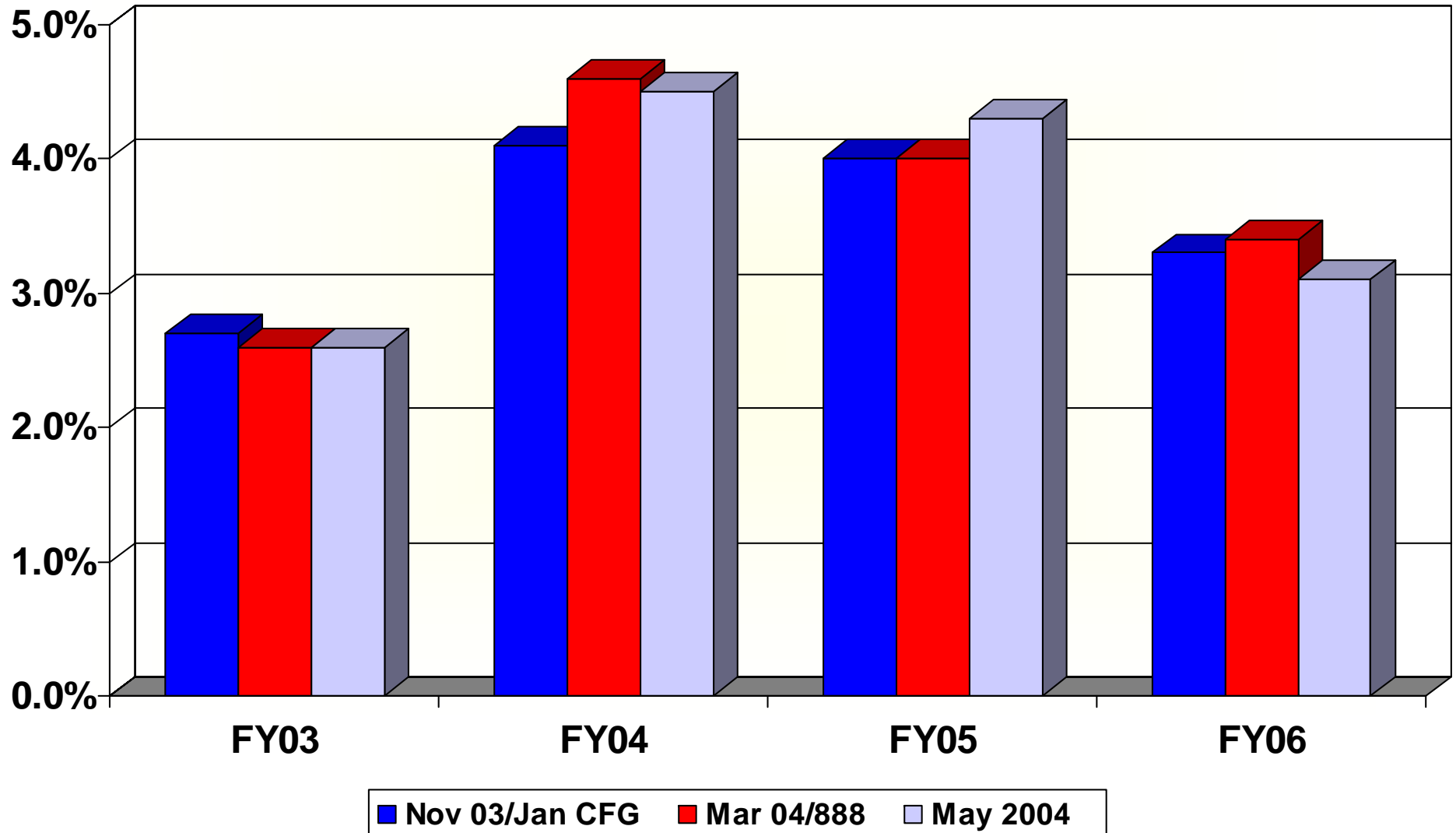
***FY04***

	<b>Nov 03/Jan CFG</b>	<b>May 04</b>
■ <b>U.S. Real GDP</b>	<b>4.1%</b>	<b>4.5%</b>
■ <b>Rate of Inflation</b>	<b>1.7%</b>	<b>2.1%</b>
■ <b>Consumer Sentiment</b>	<b>90.7</b>	<b>93.5</b>
■ <b>Personal Income</b>		
➤ <b>U.S.</b>	<b>4.1%</b>	<b>4.5%</b>
➤ <b>Kentucky</b>	<b>3.4%</b>	<b>4.5%</b>
■ <b>Nonagricultural Employment</b>		
➤ <b>U.S.</b>	<b>0.1%</b>	<b>0.1%</b>
➤ <b>Kentucky</b>	<b>0.1%</b>	<b>0.1%</b>

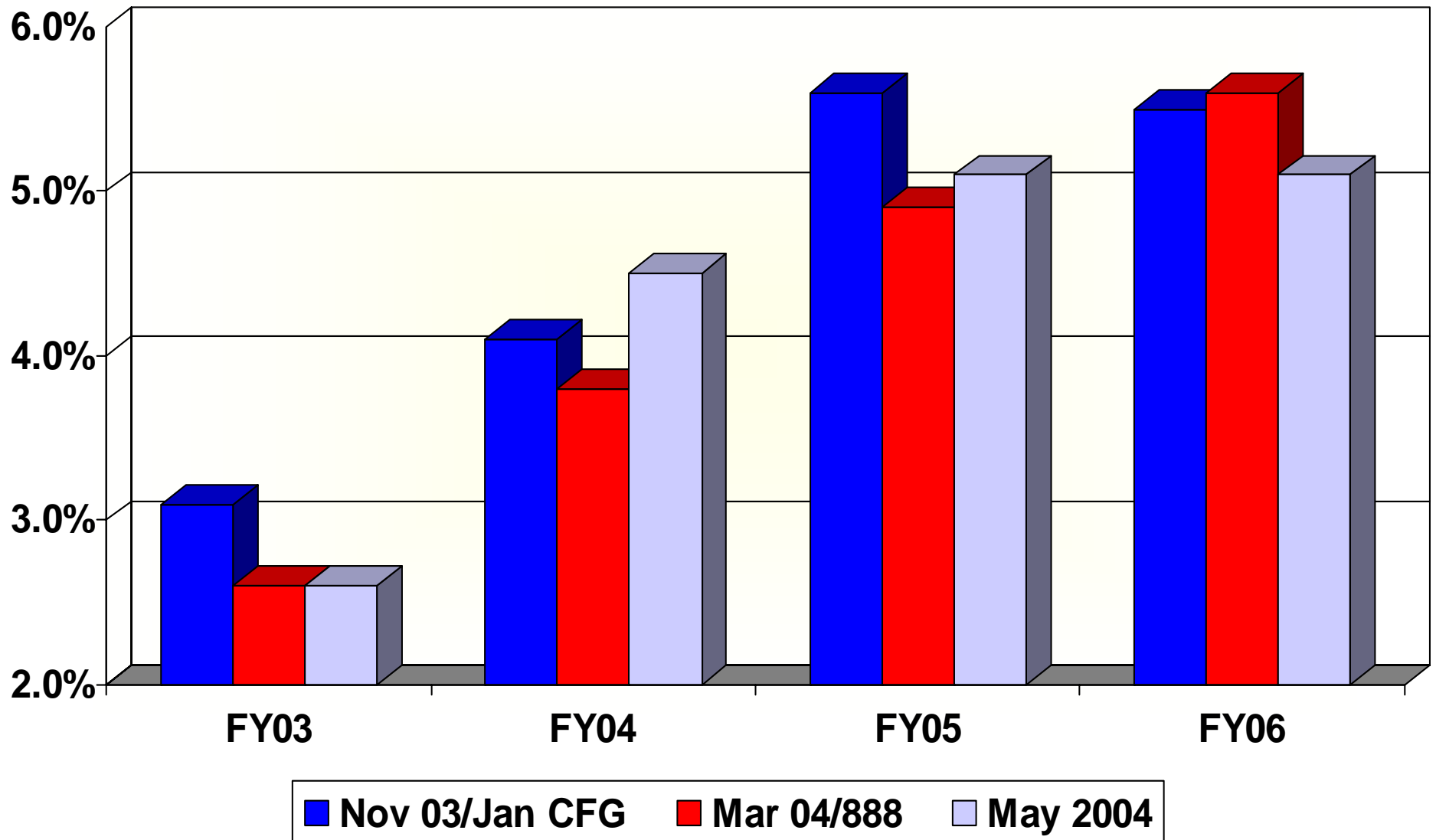
# ***Selected U.S. and Kentucky Economic Indicators***

	<i>FY05</i>		<i>FY06</i>	
	Nov 03	May 04	Nov 03	May 04
■ U.S. Real GDP	4.0%	4.3%	3.3%	3.1%
■ Rate of Inflation	1.6%	1.9%	1.9%	1.4%
■ Consumer Sentiment	93.4	93.7	90.4	92.2
■ Personal Income				
➤ U.S.	5.6%	5.1%	5.5%	5.1%
➤ Kentucky	5.1%	4.7%	5.2%	4.7%
■ Nonagricultural Employment				
➤ U.S.	2.1%	1.7%	1.9%	1.8%
➤ Kentucky	2.0%	1.4%	1.7%	1.6%

# ***U.S. GDP: Forecast Comparison***

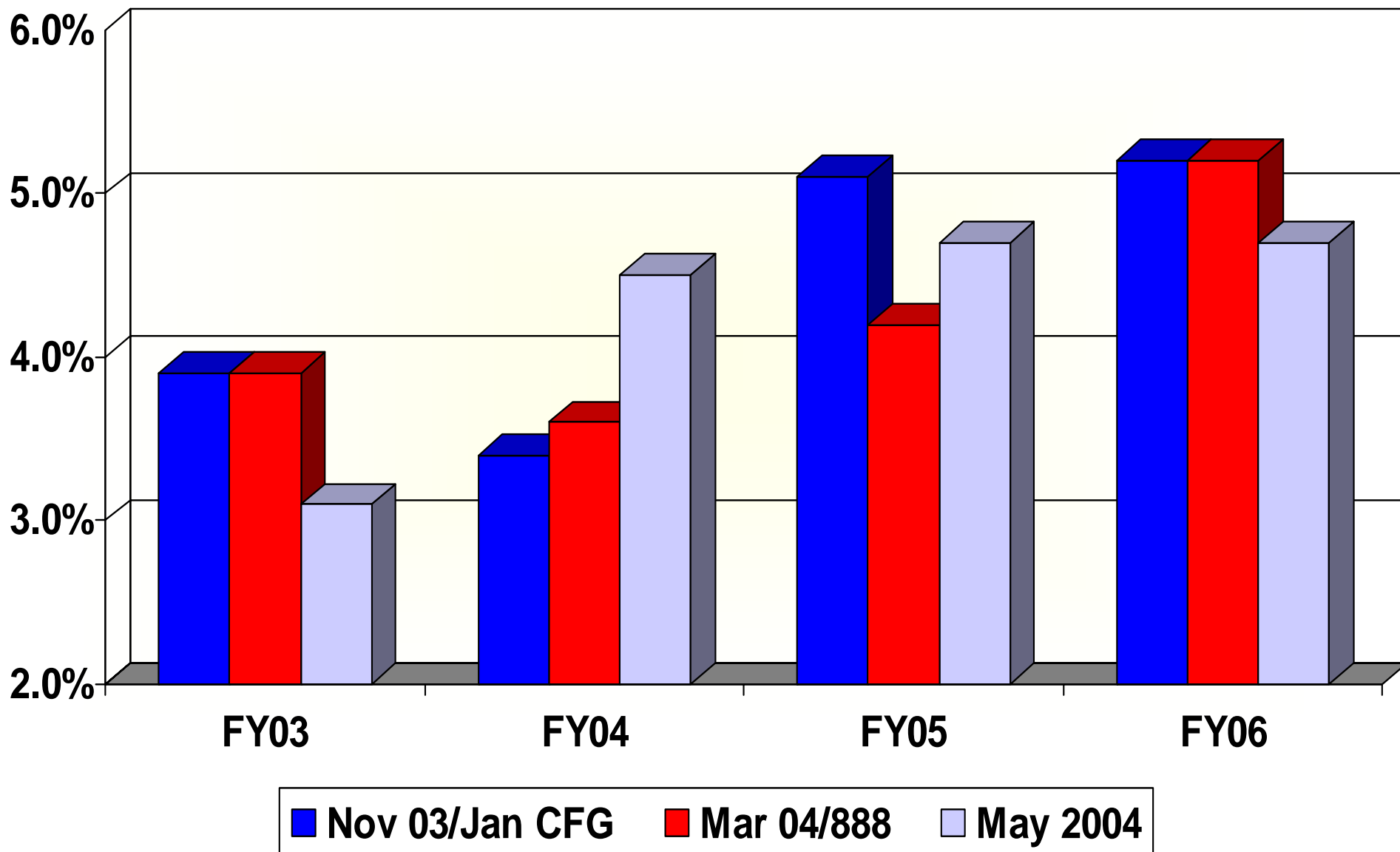


# ***U.S. Personal Income***

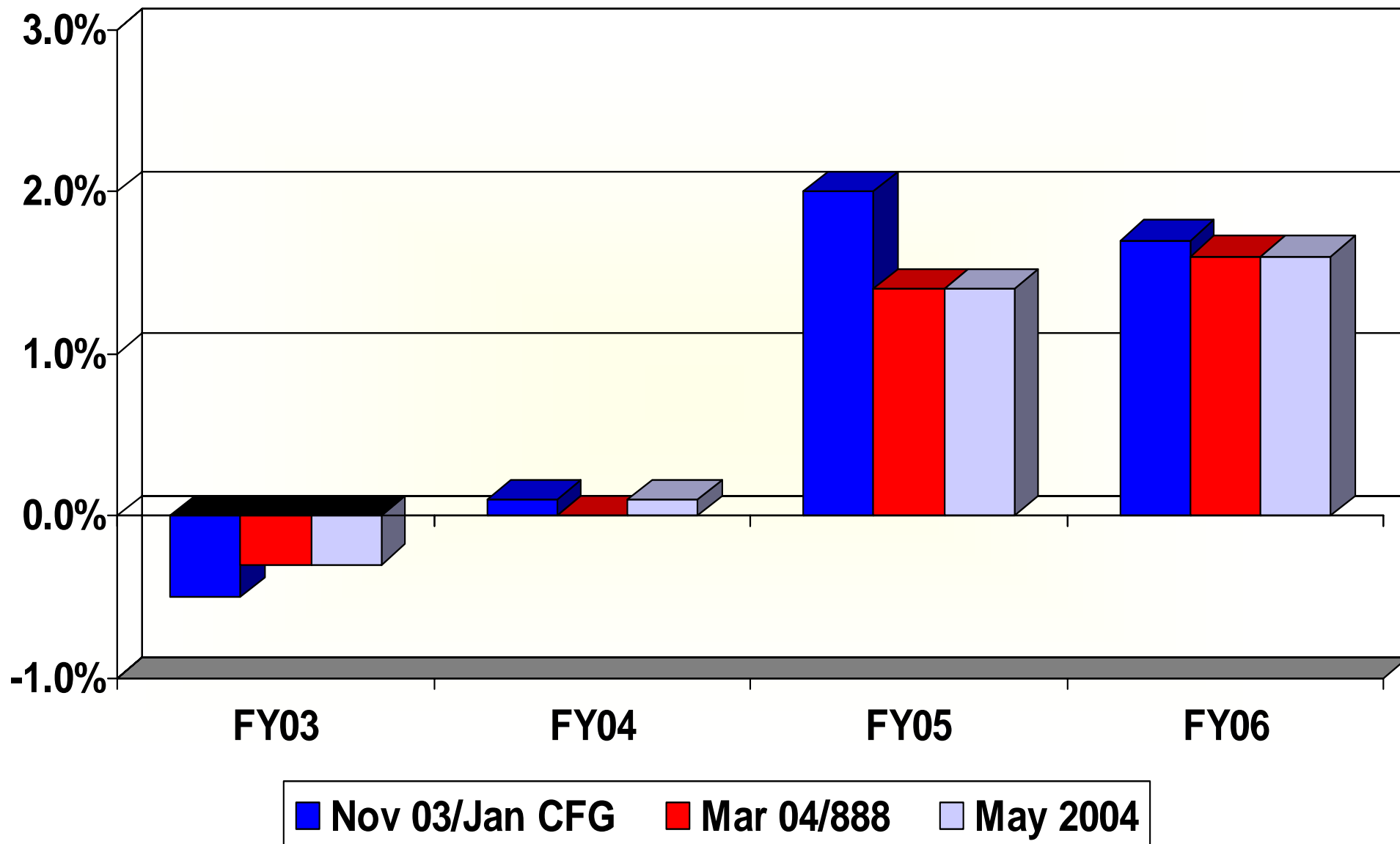




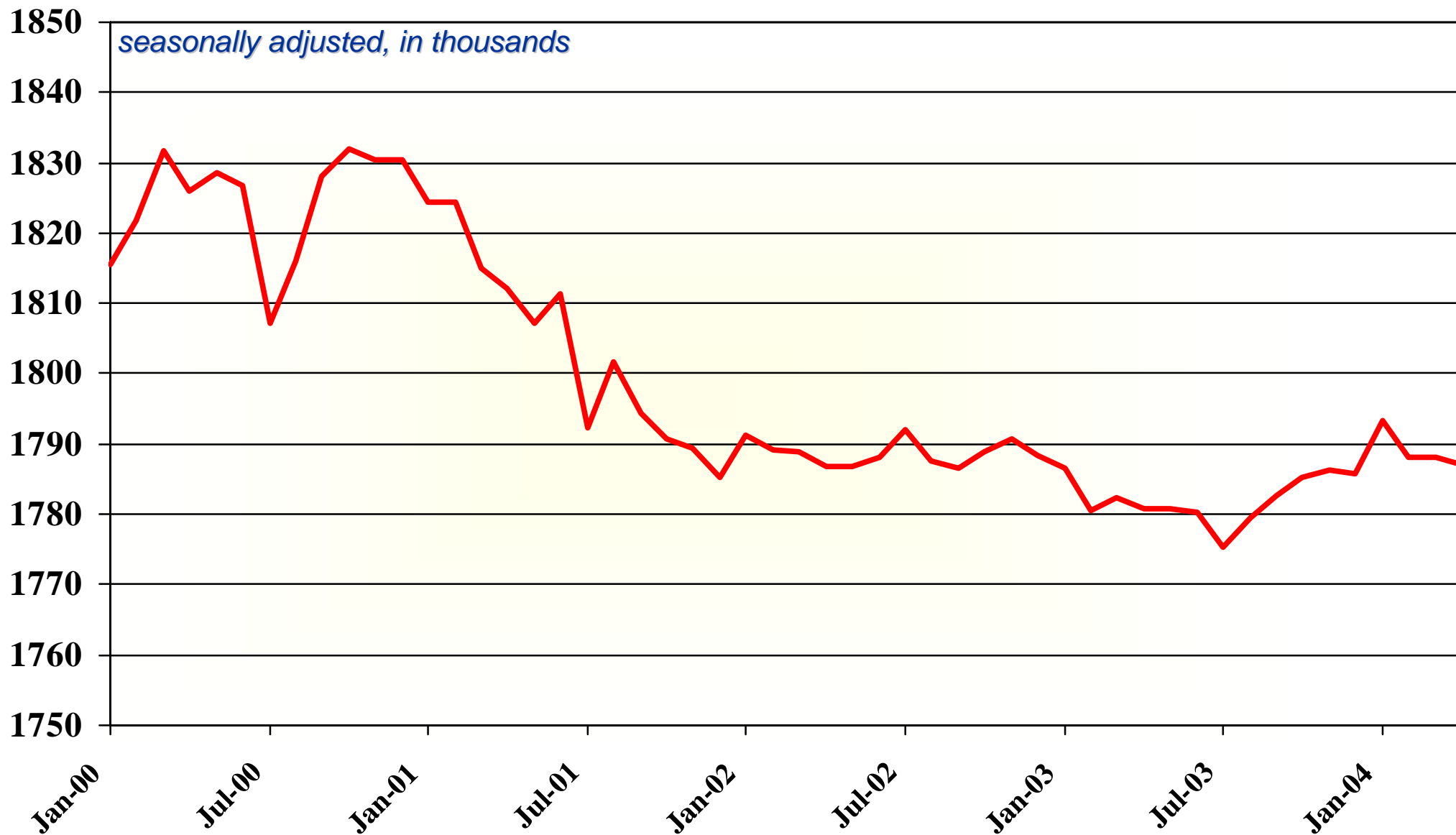
# ***KY Personal Income***



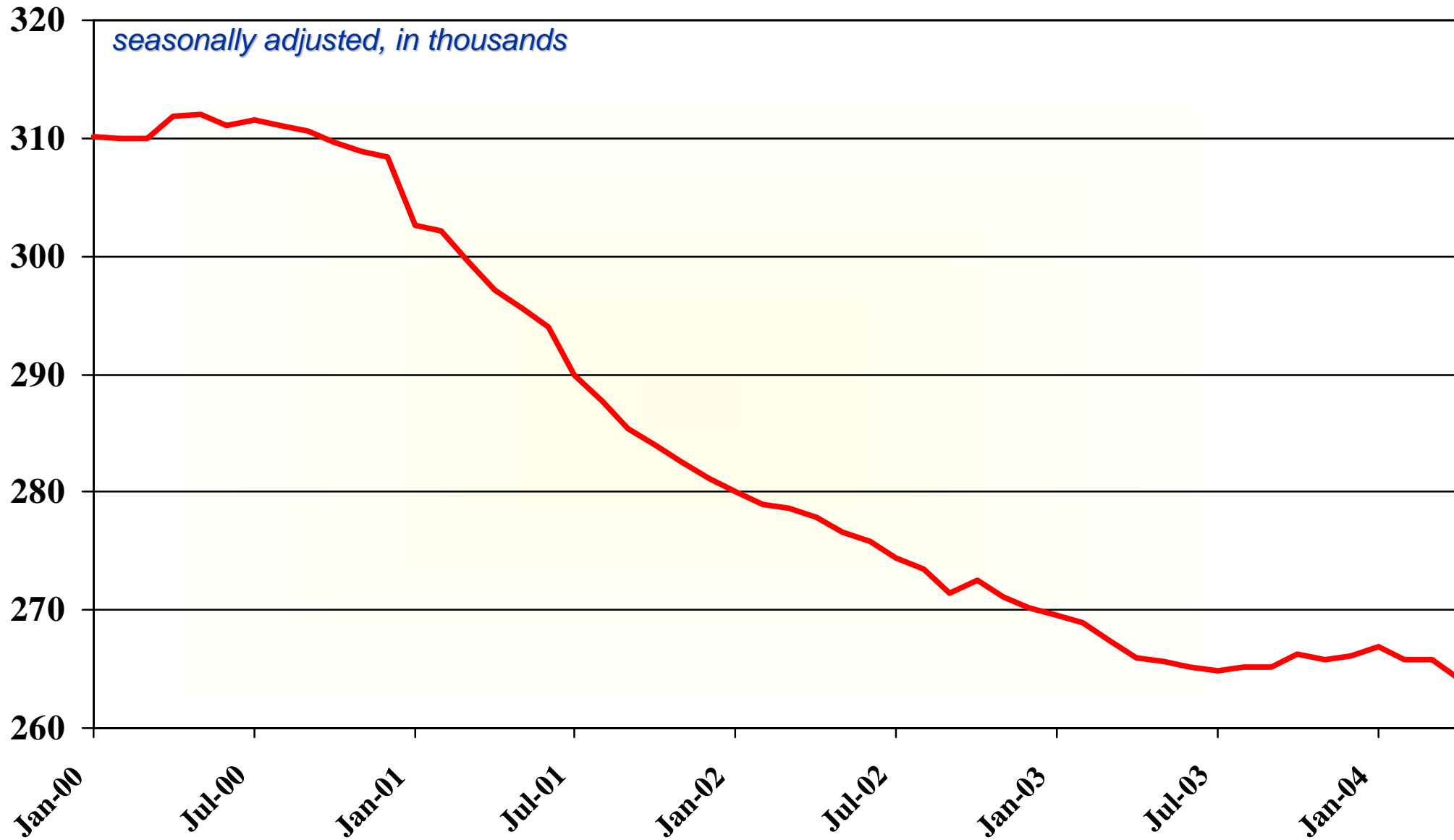
# ***KY Nonfarm Employment***



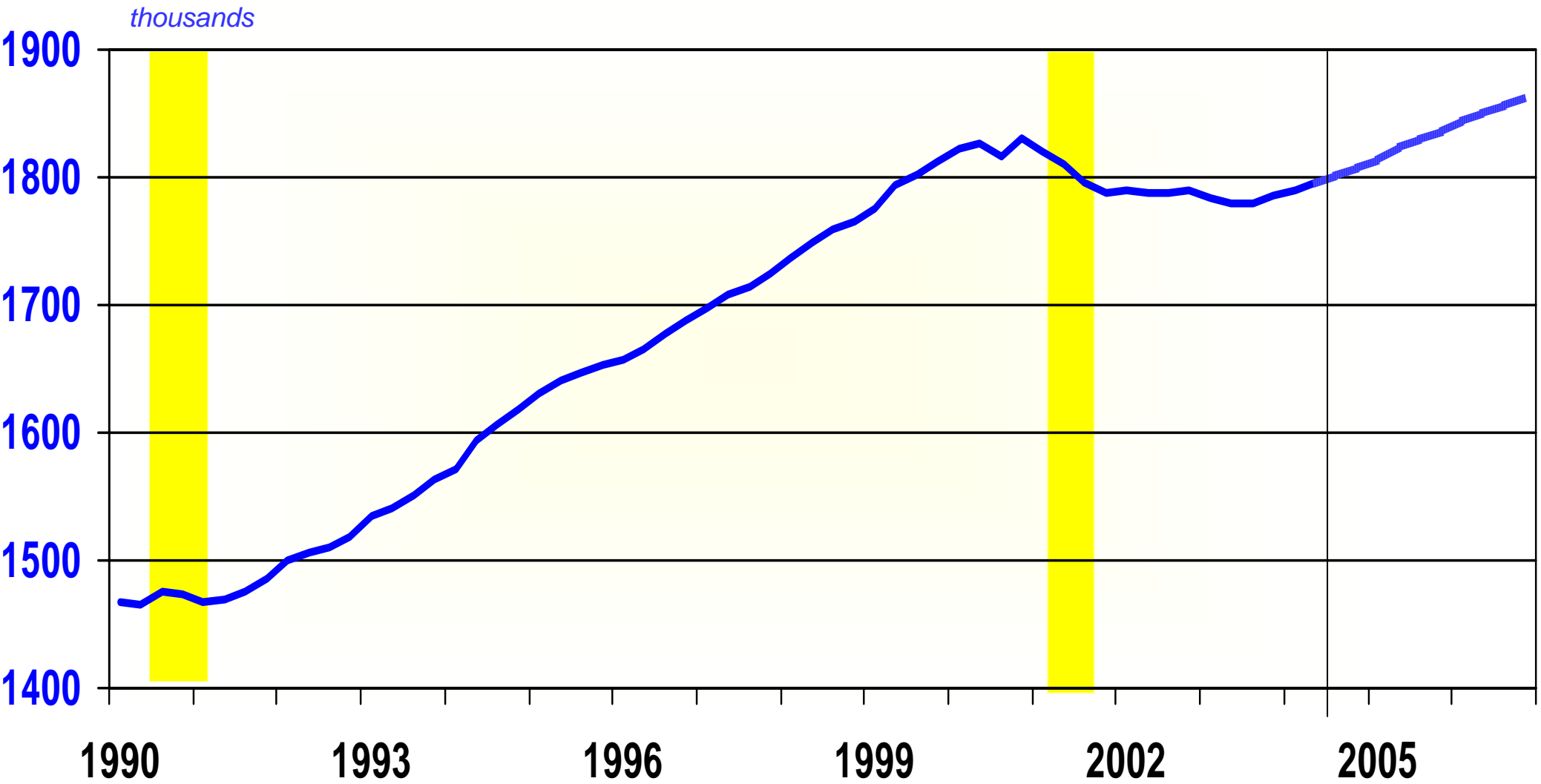
# Nonagricultural Employment in Kentucky



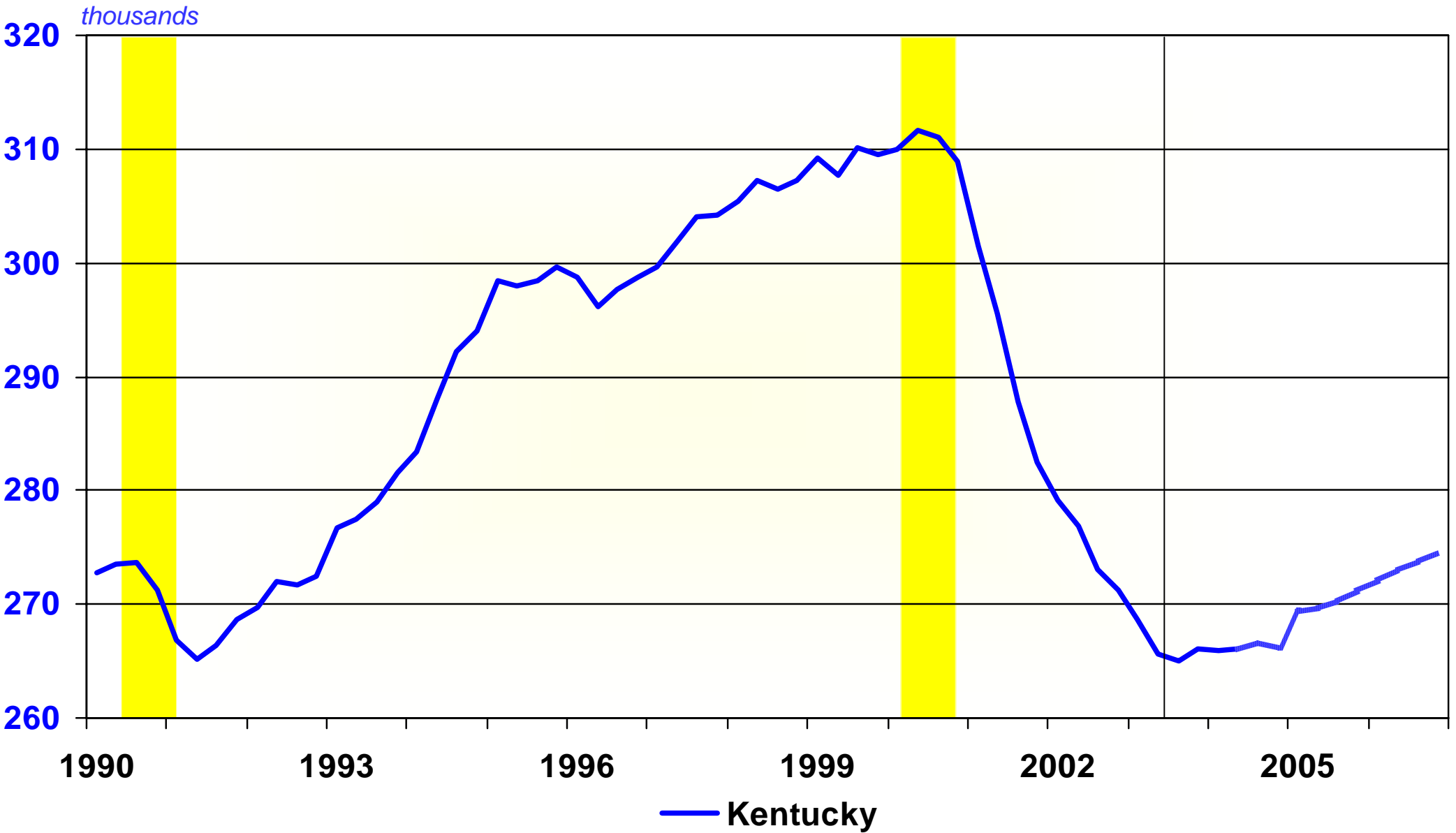
# Manufacturing Employment in Kentucky



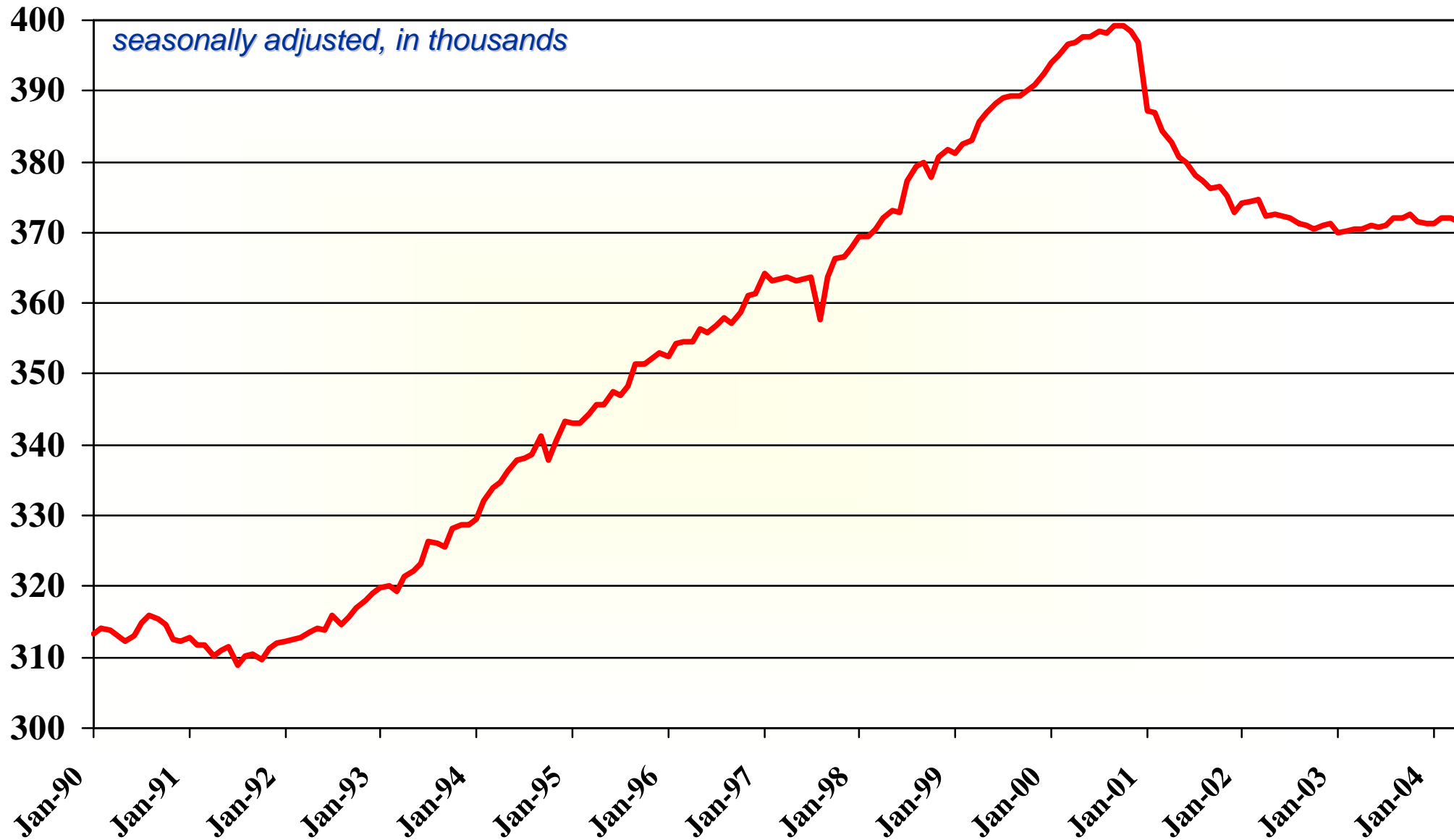
*Kentucky's nonfarm employment is forecasted to expand during the next two years*



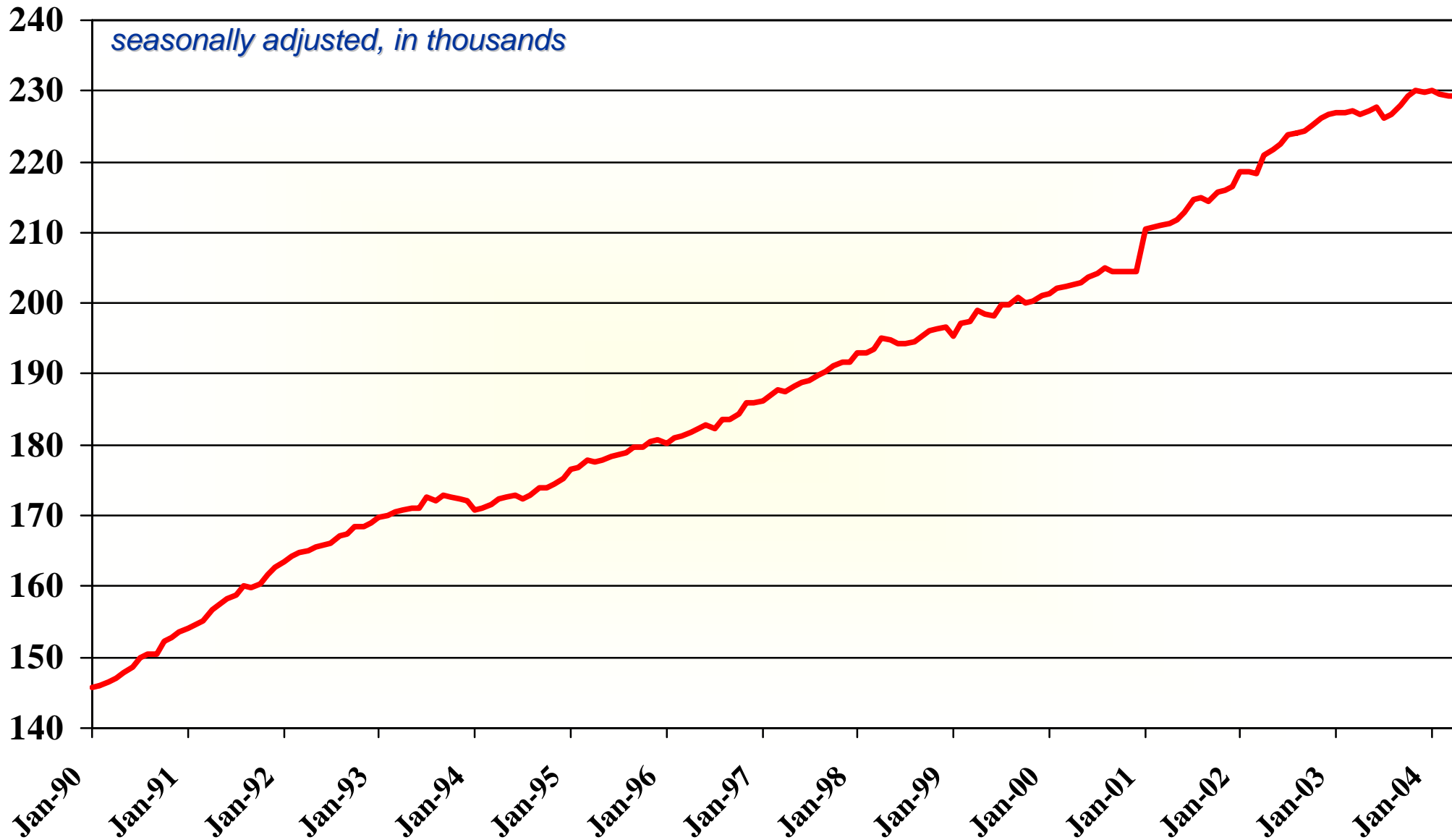
# Manufacturing employment recovers slowly



## Employment: Trade, Transportation & Utilities

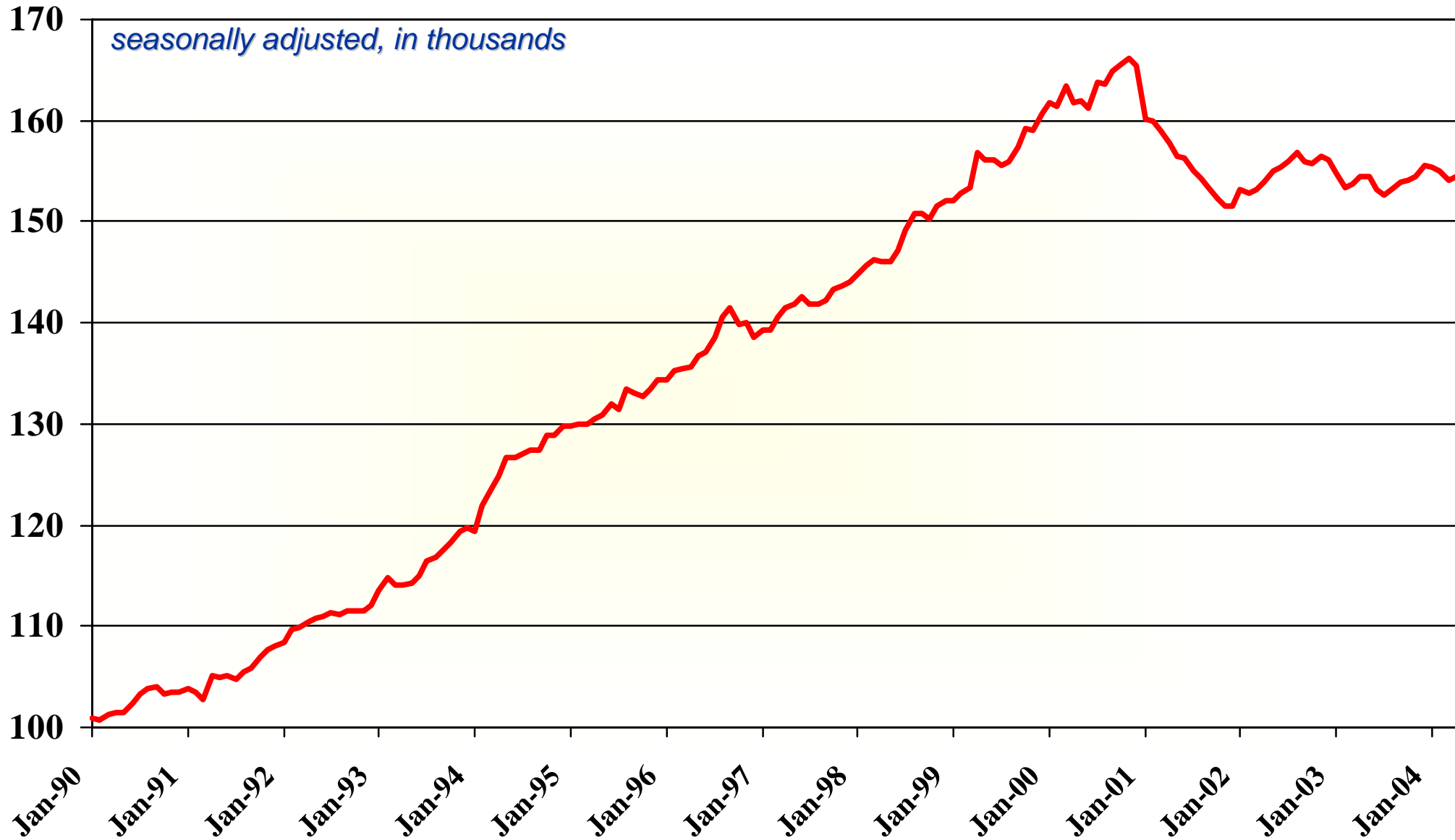


# ***Employment: Education and Health Services***





## Employment: Business Services



Not Seasonally Adjusted

Data Type : Average Weekly Hours

State : Kentucky

Area : Statewide

SuperSector : Manufacturing

Industry : Manufacturing

Benchmark Year : 2003

**Data:**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
2002	41.9	41.8	42.0	41.9	41.8	42.5	42.2	42.4	42.6	42.3	42.3	42.9	42.2
2003	41.9	41.9	41.8	41.7	41.6	41.5	41.4	42.1	41.9	41.6	41.8	41.7	41.7
2004	41.2	41.2	41.1	41.0(p)									

p : Preliminary

Data Type : Average Weekly Earnings, In Dollars

State : Kentucky

Area : Statewide

SuperSector : Manufacturing

Industry : Manufacturing

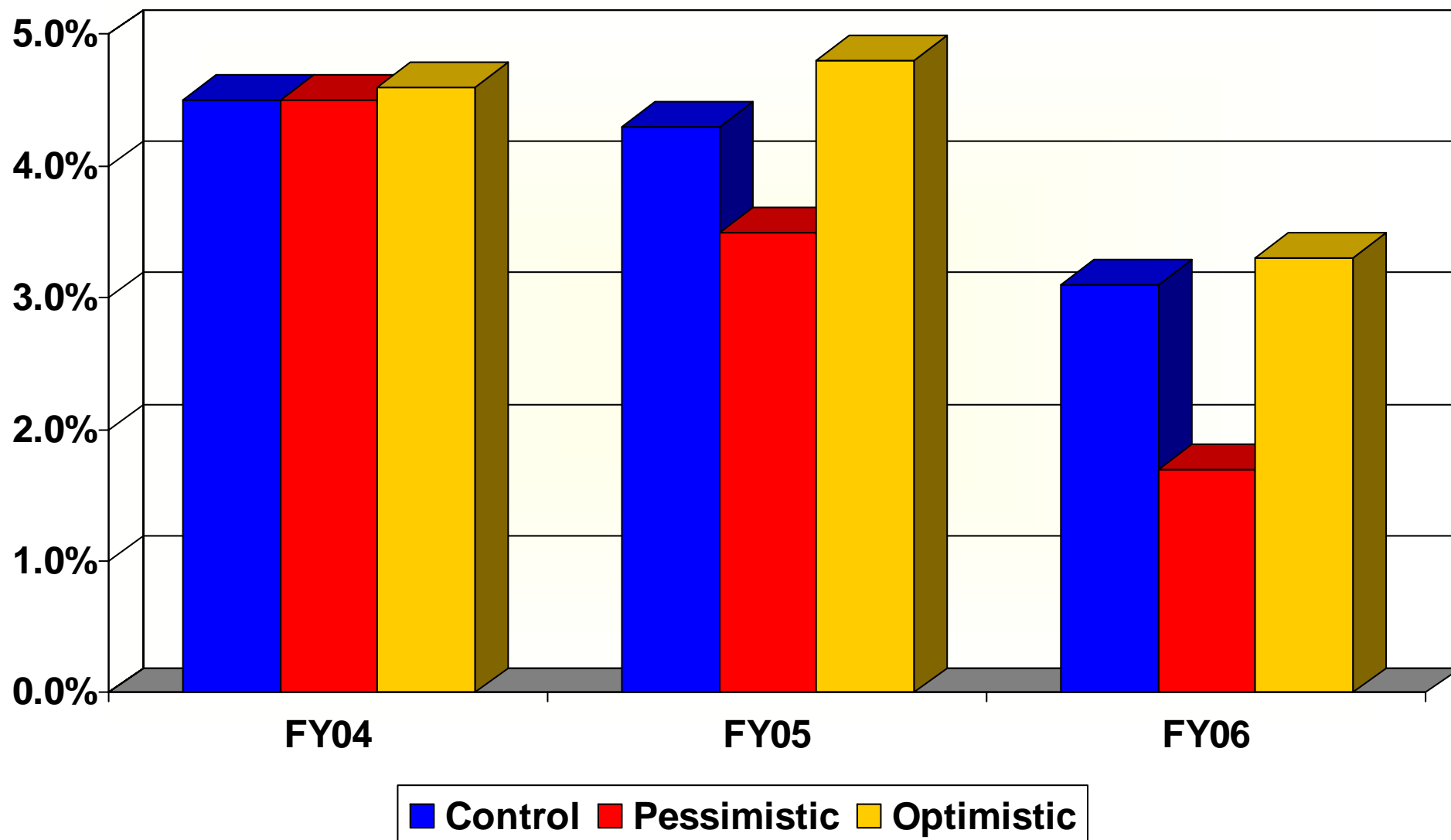
Benchmark Year : 2003

**Data:**

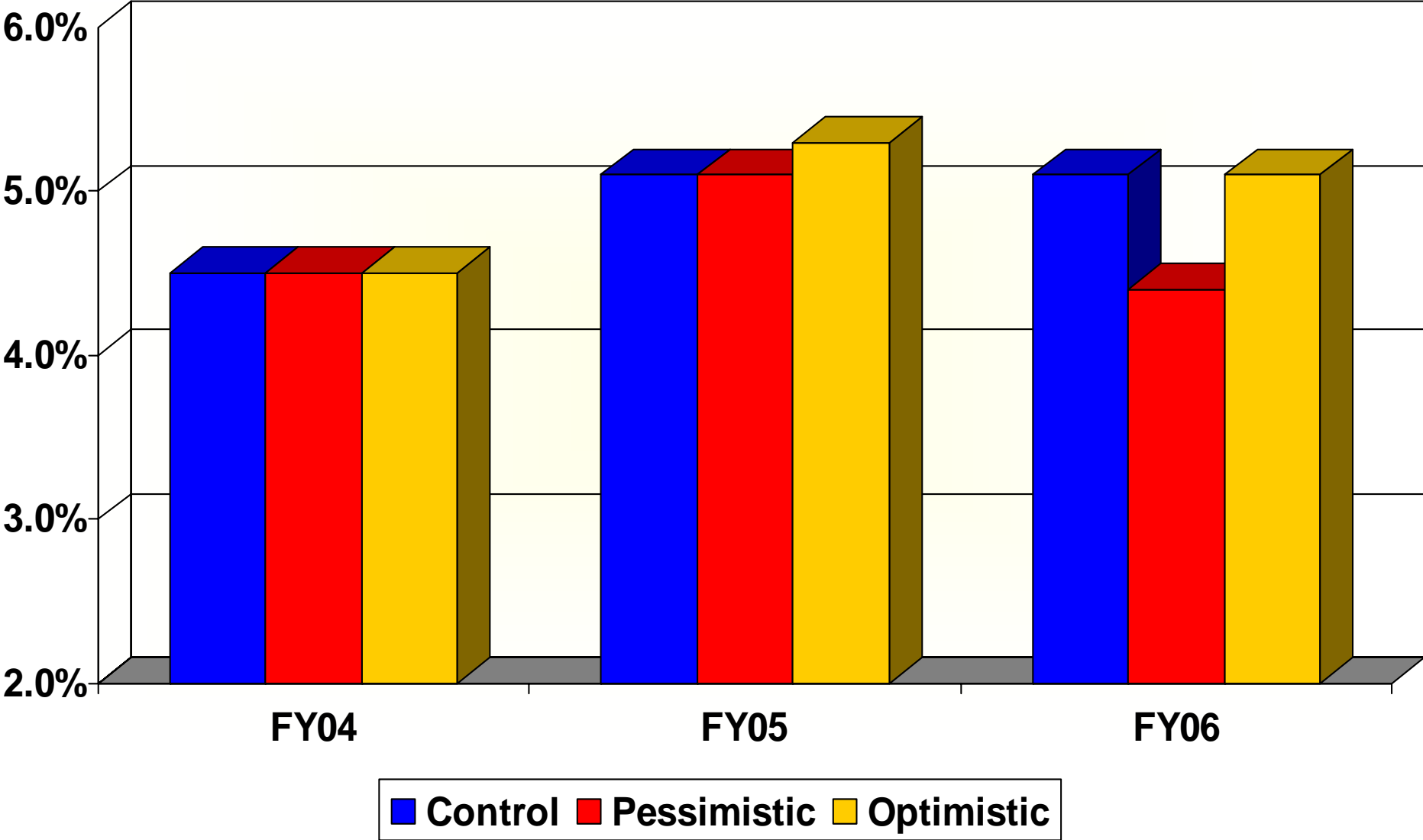
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2002	651.13	652.50	654.78	660.34	657.10	671.50	649.46	668.22	676.06	674.69	668.34	684.68
2003	674.17	662.44	656.26	661.78	650.62	659.02	667.37	677.39	672.91	672.26	681.76	687.22
2004	674.44	680.21	679.38	690.85(p)								

p : Preliminary

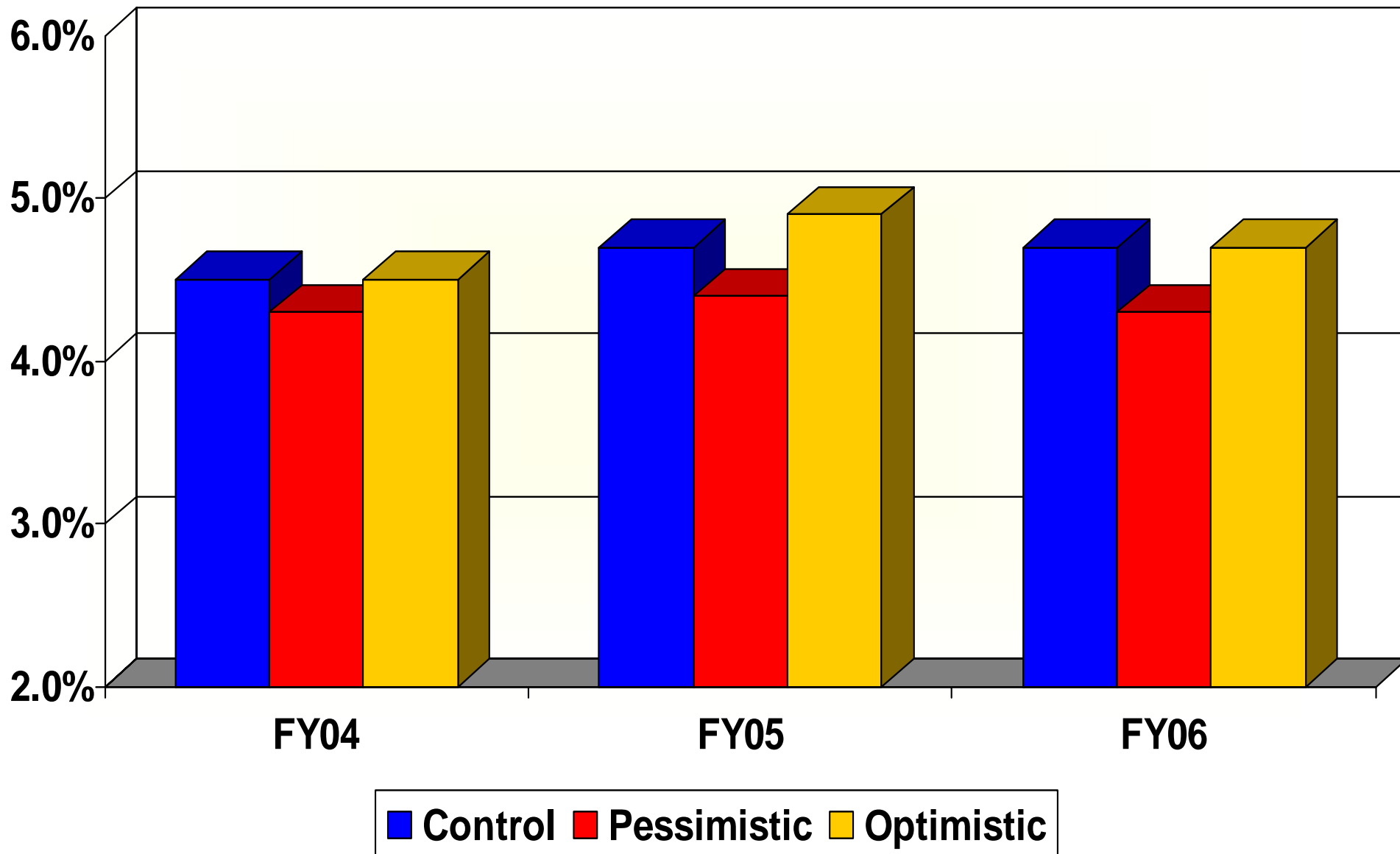
## ***U.S. GDP: Alternative Scenarios***



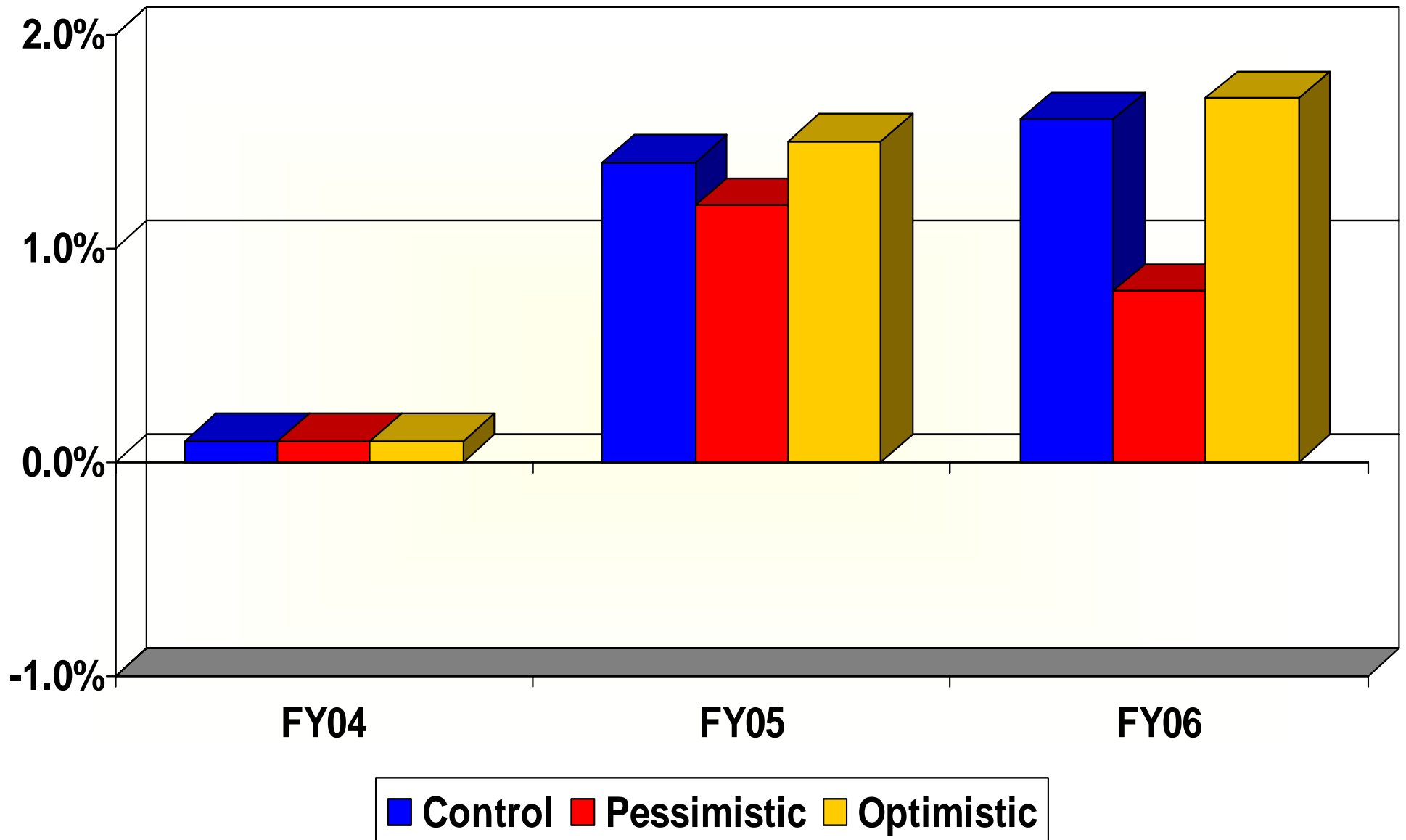
# *U.S. Personal Income: Alternative Scenarios*



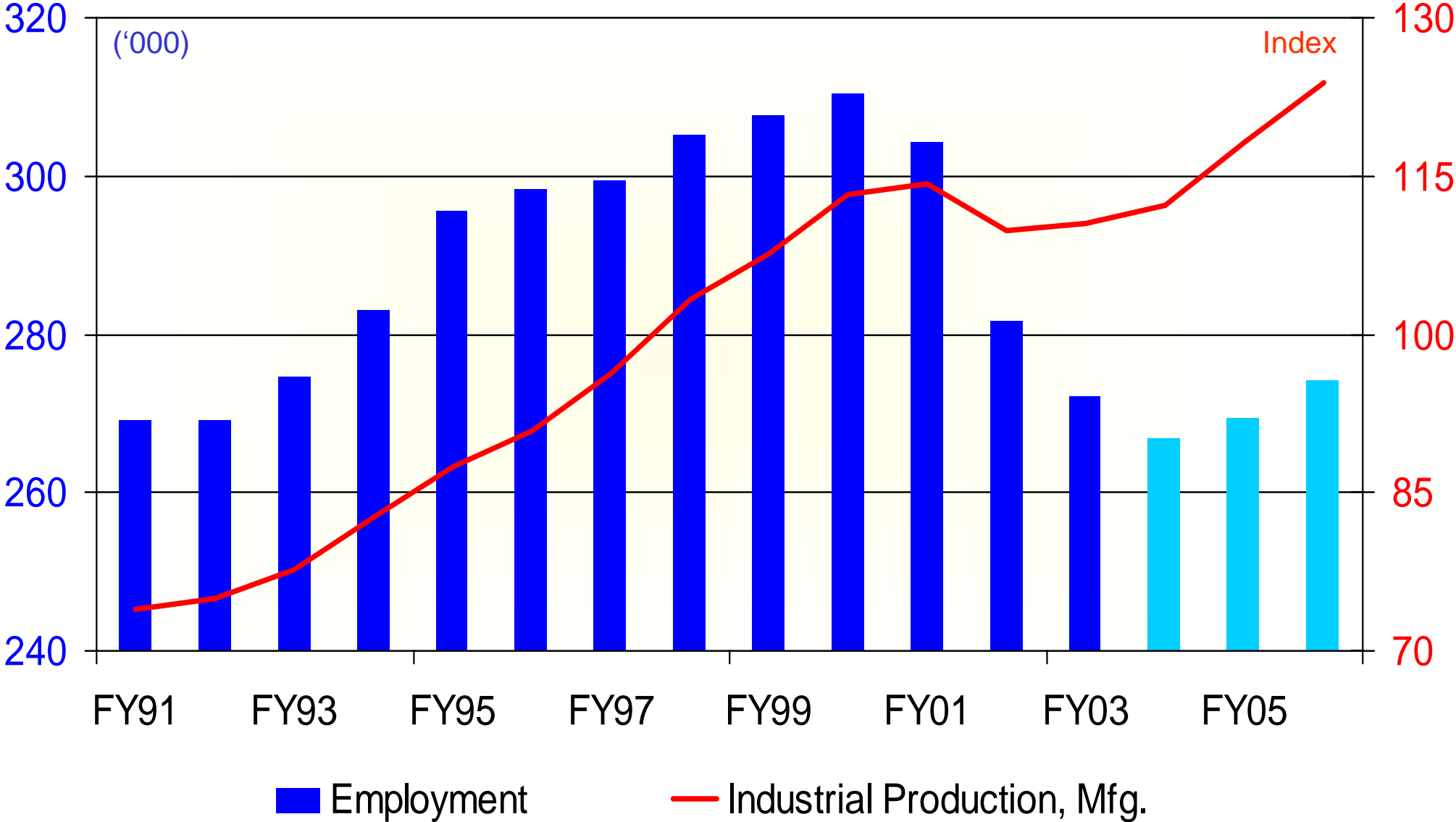
## ***KY Personal Income***



# ***KY Nonfarm Employment***



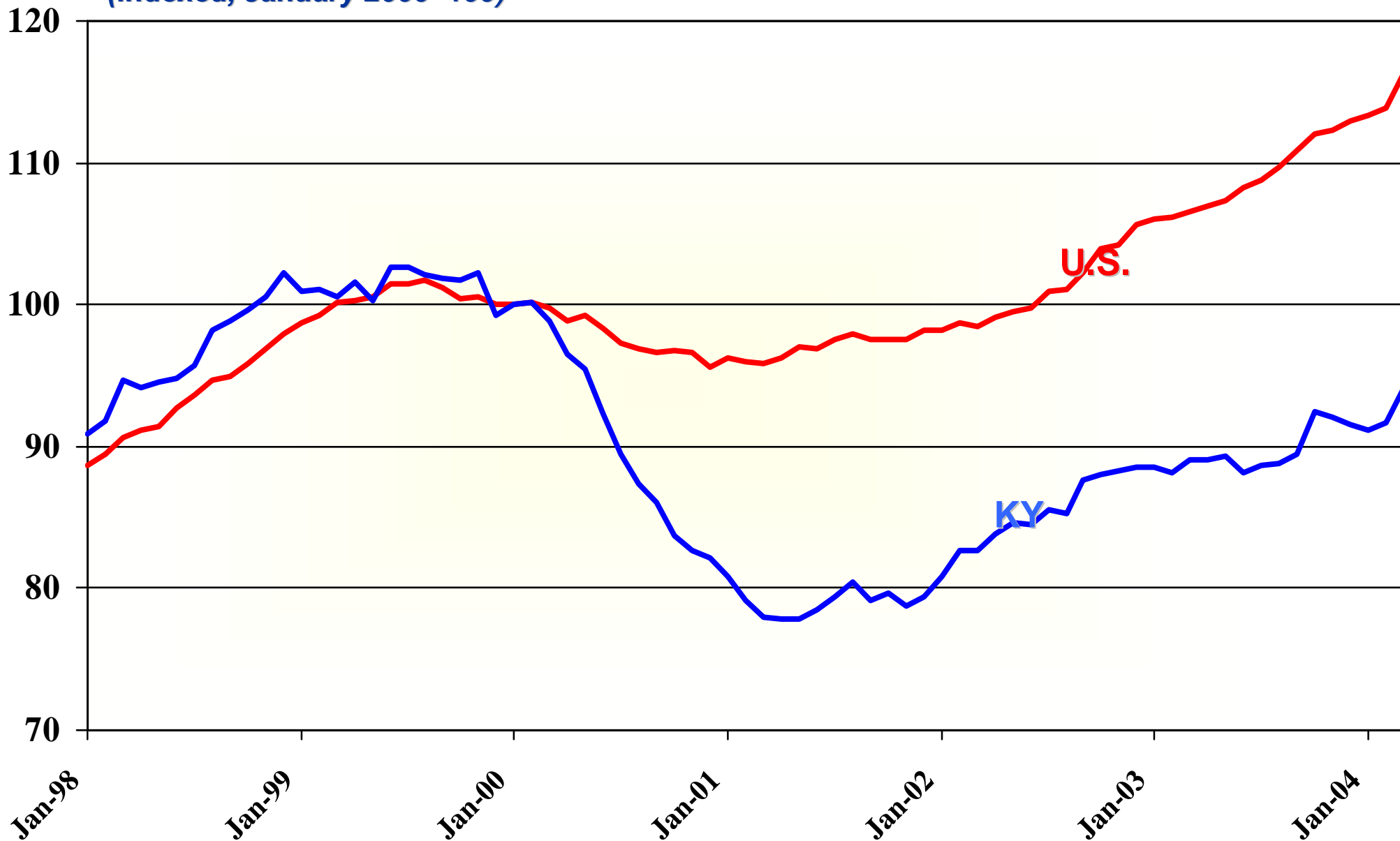
*Kentucky's Manufacturing Employment Improves,  
As Industrial Output Strengthens*





# Number of Building Permits Issued

(Indexed, January 2000=100)



# Value of Building Permits

(Indexed, January 2000=100)

